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SUBJECT: NICARAGUA: CIVIL AVIATION UPDATE

REF: MANAGUA 1448

¶1. (SBU) Summary. Representatives of airlines that fly from Nicaragua to the United States met at the Embassy on July 9 for the Deputy Chief of Mission's quarterly Civil Aviation Roundtable. Continental, Delta, and TACA airlines attended, and they described worsening relations with the Nicaraguan airport authority in areas ranging from personnel to security. The Government of Nicaragua has increasingly consolidated airport services under its airport authority, the Empresa Administradora de Aeropuertos Internacionales (EAAI), which is run by Orlando Castillo, a loyalist of President Daniel Ortega. Embassy access to the airport remains restricted, and the airport administration recently cancelled its contract with an independent ground handlers' association, firing the managers and taking over airport ground handling operations itself. The number of passengers flying to Nicaragua has remained largely stable in 2009. Northbound cargo shipments have declined, however, reflecting decreasing exports from Nicaragua to North America. End Summary.

#### AIRLINE AUTHORITIES LESS COOPERATIVE

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¶2. (SBU) On July 9, representatives of Continental, Delta, and TACA airlines told the DCM at his quarterly Civil Aviation Roundtable that while the visible level of security provided by civilian and military authorities at Managua's Sandino International Airport remains consistent, the airport administration is no longer cooperative or transparent in its dealings with the airlines. The airline reps said that the airport authority recently stopped providing the airlines with the training records of newly hired employees as they are required to do by contract. Continental's representative added that the EAAI is hiring new people (to handle the baggage x-ray machines, for example) who are insufficiently trained and lack customer service skills. Issues with baggage and cargo theft have subsided, but the airlines reported that airport authorities have all but stopped cooperating with them on theft investigations.

¶3. (SBU) The Government of Nicaragua has increasingly consolidated airport administration and security under the EAAI, which is run by Orlando Castillo, a loyalist of President Daniel Ortega. The U.S. airlines have access to Castillo, but they say that he rarely addresses their complaints and as a result they effectively have no one to complain to. One airline rep described his company's current position in Nicaragua this way: "Were going to keep flying," he said, "but we're suffering."

EMBASSY ACCESS TO AIRPORT REMAINS RESTRICTED

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¶4. (SBU) The airport authority has not relaxed its restrictions on Embassy access to the airport, implemented in ¶2008. We are limited to day passes for diplomatic pouch runs only, and only with 48-hour written advanced notice. The Embassy, including the Regional Security Office, has no other access to the airport. In the case of the arrival of a high-level USG visitor, limited additional passes would only be issued after receipt of a diplomatic note. The airport authority has also attempted to restrict media access to the airport. During the early days of the H1N1 swine flu epidemic, the EAAI told the airlines to speak only to Channel 4, the quasi-official TV news outlet of the governing Sandinista National Liberation Front (FSLN).

GROUND HANDLER CONTRACT ABRUPTLY TERMINATED  
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¶5. (SBU) On May 21, 2009, the Nicaraguan Civil Aviation authority (INAC - Instituto Nacional de Aviacion Civil) abruptly expelled the airport's ground handlers' association, Ground Handling Air Service Nicaragua S.A. (GHANSA), from their airport offices and cancelled their contract. INAC's decision to terminate GHANSA's contract and fire its managers was met with strong resistance from the ground handlers, who have waged a battle with the GON in the media and have asked for Embassy support. GHANSA claims that the government's actions were illegal under the terms of its 10-year contract, and that the airport has kept some ground handling equipment belonging to GHANSA.

¶6. (U) INAC revoked GHANSA's operation certificate for what it called an "evident lack of operational security," basing its decision on a series of incidents for which it faults GHANSA. GHANSA admits to several incidents with ground handling equipment that resulted in damage to aircraft, but it attributes them to operator error. During a meeting with Econoff, GHANSA pointed out that the operator of a sanitation truck that collided with a parked American Airlines jet has been retained by the airport authority while only GHANSA managers were fired. GHANSA contends that International Civil Aviation Organization (ICAO) regulations call for a ground handler's organization that is independent of the airport regulatory authority. In addition to illegally cancelling its contract, GHANSA claims that the airport authority is now using insufficiently trained personnel, thereby putting the security of airport operations at risk. The organization has complained in writing to the ICAO and the Federal Aviation Administration, in addition to the Embassy.

¶7. (U) Following GHANSA's dismissal, the airport authority took over ground handling operations at the airport and rehired up to 60% of GHANSA employees to operate the ground handling equipment. Prior to the creation of GHANSA in 2004, ground handling at Managua's international airport had been handled by the airport authority. During the DCM's airline roundtable, the representatives of the major U.S. airlines said that ground handling operations at the airport had not suffered significantly, primarily because most of the experienced equipment operators were rehired by the airport. Management of the ground handlers is getting worse, however, because all of GHANSA's managers were fired and replaced with new staff.

PASSENGER, CARGO TRAFFIC DOWN  
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¶8. (U) The number of passengers flying to and from Nicaragua in 2009 is largely unchanged in comparison to 2008. From 2005 to 2008, however, passenger numbers averaged an annual 8% increase. The airlines report that they are seeing fewer overbooked flights than last year, but are still able to fill their planes. Through June, air cargo exports from Nicaragua are down by 8% from the same period in 2008. The airlines pointed to a decrease in northbound cargo shipments, reflecting decreased exports of specific items from Nicaragua

to North America. Items typically exported to the U.S. include articles from the maquila enterprises, as well as foodstuffs such as fruits, vegetables, and lobster. Despite volume decreases linked to the global economic crisis, the airlines reported that their business in Nicaragua remains profitable.

COMMENT

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19. (SBU) While Post is concerned about the lack of access and transparency in security operations at the airport, the airlines are not at this time reporting specific concerns over their operational security. Post's working relationship with airport and civil aviation authorities is less cooperative in 2009 than in 2008, but it is still functional.

Diplomatic notes are generally required where once faxes would suffice. For the major U.S. airlines that fly to Nicaragua, business continues, but with less confidence that relationships are transparent and cooperative. We expect the FSLN to continue to exert control over crucial sectors of the economy such as aviation.

SANDERS